1. Leo and Kate are stranded on an iceberg in the North Atlantic after their luxury cruise ship sinks. On this iceberg they find that they can each produce two things: fish and drinking water. The following table shows the amount of time it takes each to produce one unit of fish or one unit of drinking water.

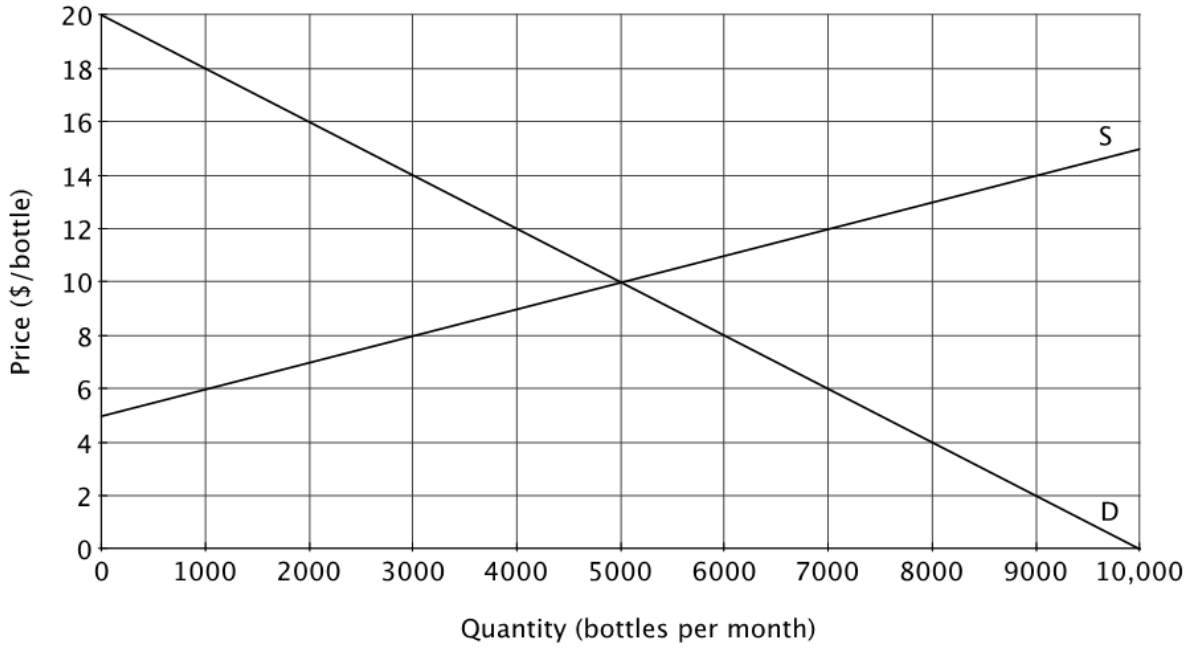
	Time to produce one unit of fish	**Time to produce one unit of water**
Leo	6 hours	3 hours
Kate	1 hour	2 hours

Which of the following statements is true?

multiple choice

- Leo has an absolute advantage in water production.
- Kate should specialize in fish because she has a comparative advantage in fish.
- Kate should produce both and Leo none, because she is better at doing both.
- Kate should specialize in the production of fish because she can catch six fish in the same time it takes Leo to catch one.

2. Suppose the figure below shows the domestic supply and domestic demand for wine in a county.

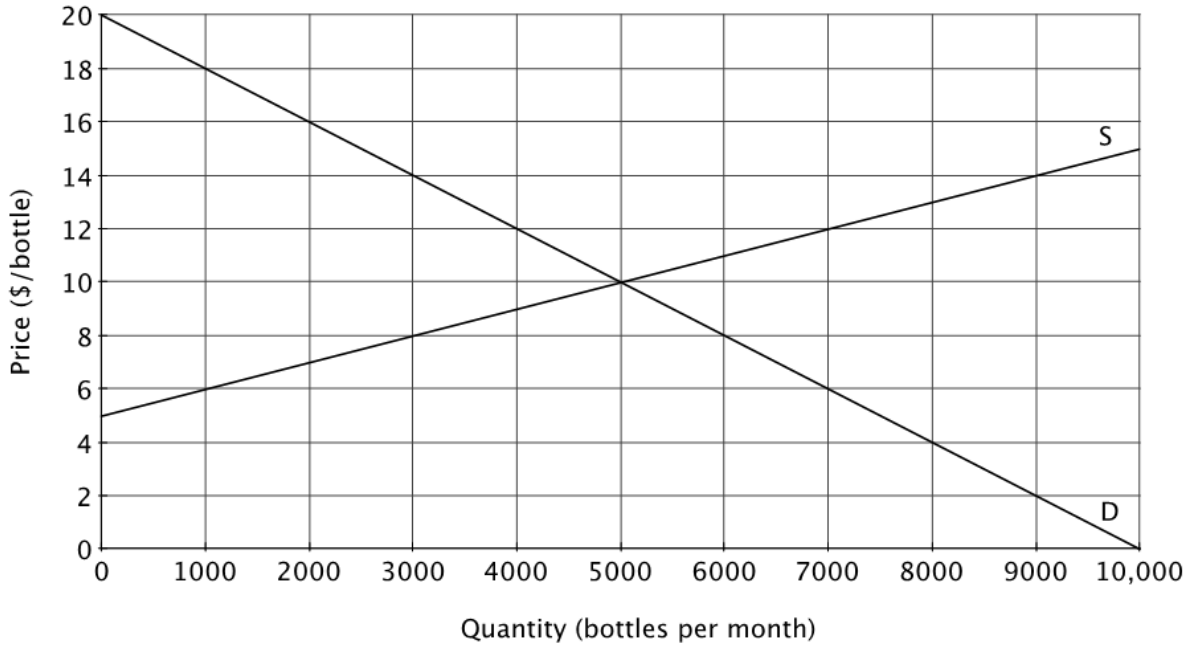


Assuming the country is too small to affect the world price of wine, if it opens itself up to trade, and the world price of wine is $6 per bottle, then each month this country will

Multiple Choice

- export 1,000 bottles of wine.
- import 6,000 bottles of wine.
- import 7,000 bottles of wine.
- export 6,000 bottles of wine.

3. Suppose the figure below shows the domestic supply and domestic demand for wine in a county.



Assuming the country is too small to affect the world price of wine, if it opens itself up to trade, and the world price of wine is $12 per bottle, then each month this country will

Multiple Choice

- import 3,000 bottles of wine.
- import 4,000 bottles of wine.
- export 3,000 bottles of wine.
- export 7,000 bottles of wine.

4. MC Qu. 1 The demand for U.S. dollars traded in the...

The demand for U.S. dollars traded in the foreign exchange market comes from

Multiple Choice

- international investors wanting to invest in Europe.
- firms that want to buy European assets.
- international investors that want to buy American assets.
- tourists who want to travel to Europe.

5. MC Qu. 2 The supply for U.S. dollars traded in the...

The supply for U.S. dollars traded in the foreign exchange market comes from

Multiple Choice

- international investors wanting to invest in America.
- international investors that want to buy American assets.
- U.S. households that want to buy European assets.
- tourists who want to travel to the U.S.

6. MC Qu. 3 An appreciation in the value of the euro/U.S...

An appreciation in the value of the euro/U.S. dollar exchange rate would tend to

Multiple Choice

- discourage Americans from buying European goods and services.
- discourage Europeans from buying American goods and services.
- discourage U.S. tourists from traveling to Europe.
- increase the number of dollars that could be bought with a euro.

7. MC Qu. 1 In the foreign exchange market of U.S. dollar...

In the foreign exchange market of U.S. dollar versus euro, the horizontal and vertical axes respectively measure the

Multiple Choice

- amount of U.S. dollars and the amount of euros.
- amount of U.S. dollars and the exchange rate between the U.S. dollar and euro.
- amount of euros and the amount of U.S. dollars.
- exchange rate between the U.S. dollar and the euro and the amount of U.S. dollars.